

TOWN OF BETHEL SPRINGS, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2015

TOWN OF BETHEL SPRINGS, TENNESSEE

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INTRODUCTORY SECTION

TOWN OF BETHEL SPRINGS, TENNESSEE

Officials of the Town of Bethel Springs, Tennessee

June 30, 2015

Name

Title

Elected Officials:

Gary Bizzell, Jr.

Mayor

Benny Jennings

Alderman

Sherry Smith

Alderman

John Wood

Alderman

Gary Bizzell, Sr.

Alderman

Management:

Deborah Sullivan

Town Recorder

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

Mayor and Board of Aldermen of the
Town of Bethel Springs, Tennessee
Bethel Springs, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the Town of Bethel Springs, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, and each major fund of the Town of Bethel Springs, Tennessee as of June 30, 2015, and the respective changes in financial position and, where applicable, the cash flows thereof and the respective budgetary comparison for the General Fund, Sanitation Fund, and the Drug Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters -Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information which includes the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters -Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Introductory Section and the Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Introductory Section and the Supplementary Information (except for the Schedule of Unaccounted for Water) have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Introductory Section and the Supplementary Information (except for the Schedule of Unaccounted for Water), is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Unaccounted for Water has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2015 on the consideration of the Town of Bethel Springs' internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

John R. Poole, CPA

September 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF BETHEL SPRINGS, TENNESSEE

Management's Discussion and Analysis

As management of the Town of Bethel Springs, Tennessee (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Town of Bethel Springs exceeded its liabilities at the close of the most recent fiscal year by \$2,839,169. Of this amount, \$140,472 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$604,327 due to the Town receiving a grant of \$415,546 for the fire department. Expenses were less in the current year due to efforts on the part of Town to reduce spending.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$123,963, an increase of \$63,574 in comparison to the prior year. The increase was due to decreased expenses in the current year. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$101,165 or 17% of the total general fund expenditures.

The Town's business-like activities total net position increased by \$154,975 due to higher revenues in the current year.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town of Bethel Springs' basic financial statements. The Town's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax).

The Statement of Cash Flows presents the flow of cash inflows/outflows for all enterprise funds during the fiscal year.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Bethel Springs include general government, personnel, finance, parks, planning, police, fire, disposal service, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The Town of Bethel Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds all of which are considered to be major funds. The Town of Bethel Springs adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic financial statements can be found on pages 14-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-37 of this report.

Financial Analysis of the Financial Statements --Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Bethel Springs, assets exceeded liabilities by \$2,839,169 at the close of the most recent fiscal year. By far the largest portion of the Town's assets reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Bethel Springs' Net position-2014

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 144,212	153,972
Capital assets	<u>391,646</u>	<u>4,079,640</u>
Total assets	535,858	4,233,612
Long-term liabilities	73,583	2,244,271
Other liabilities	<u>62,133</u>	<u>154,641</u>
Total liabilities	135,716	2,398,912
Net position:		
Net investment in capital assets		
	318,063	1,835,369
Restricted	12,003	0
Unrestricted	<u>70,076</u>	<u>(669)</u>
Total net position	\$ 400,142	1,834,700

Town of Bethel Springs' Net position-2015

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 227,209	62,206
Capital assets	<u>776,282</u>	<u>4,176,714</u>
Total assets	1,003,491	4,238,920
Long-term liabilities	72,529	2,204,568
Other liabilities	<u>31,468</u>	<u>44,677</u>
Total liabilities	103,997	2,249,245
Deferred inflow of resources:	50,000	0
Net position:		
Net investment in capital assets	703,753	1,972,146
Restricted	22,798	0
Unrestricted	<u>122,943</u>	<u>17,529</u>
Total net position	\$ 849,494	1,989,675

At the end of the current fiscal year, the Town is able to report positive balances in net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the Town of Bethel Springs' governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements in particular, unreserved fund balance may serve as a useful measure to a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$101,165. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17% of total general fund expenditures.

Comparison of Revenues and Expenses 2015 - 2014

	2015 Governmental <u>Activities</u>	2014 Governmental <u>Activities</u>	Change Between <u>Years</u>	2015 Business- type <u>Activities</u>	2014 Business- type <u>Activities</u>	Change Between <u>Years</u>
Revenues:						
Program revenues:						
Charges for services	49,857	47,963	1,894	365,606	362,123	3,483
Operating grants and contributions	25,230	23,770	1,460	0	0	0
Capital grants and contributions	415,546	0	415,546	209,490	186,866	22,624
General revenues:						
Property taxes	58,693	56,964	1,729	0	0	0
Sales taxes	104,466	99,408	5,058	0	0	0
Other local taxes	33,659	42,100	(8,441)	0	0	0
Other	3,523	3,713	(190)	27	18	9
Total revenues	<u>\$690,974</u>	<u>\$273,918</u>	<u>\$417,056</u>	<u>\$575,123</u>	<u>\$549,007</u>	<u>\$26,116</u>
Expenses:						
General government	106,500	119,740	(13,240)	0	0	0
Police department	9,275	13,474	(4,199)	0	0	0
Fire department	24,848	10,535	14,313	0	0	0
Community center	8,202	4,274	3,928	0	0	0
Parks and recreation	5,298	4,209	1,089	0	0	0
Highways and streets	43,352	81,377	(38,025)	0	0	0
Sanitation	44,147	47,269	(3,122)	0	0	0
Water and Sewer	0	0	0	420,148	429,608	(9,460)
Total expenses	<u>\$241,622</u>	<u>\$280,878</u>	<u>(\$39,256)</u>	<u>\$420,148</u>	<u>\$429,608</u>	<u>(\$9,460)</u>
Increases in Net Position	<u>449,352</u>	<u>(6,960)</u>	<u>456,312</u>	<u>154,975</u>	<u>119,399</u>	<u>35,576</u>

Governmental Budgetary Highlights

The Town exceeded none of its governmental budgets during the year.

Capital Assets

The Town of Bethel Springs' investment in capital assets from its governmental activities at June 30, 2015, amounts to \$776,282 (net of accumulated depreciation) and its business-type activities amounts to \$4,176,714. This investment in capital assets is in land, buildings, improvements, machinery and equipment.

Town of Bethel Springs' Capital Assets - 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvements	\$589,568	5,045,400
Equipment	<u>275,437</u>	<u>40,295</u>
Less accumulated depreciation	(473,359)	(1,006,055)
Net Capital Assets	<u>\$391,646</u>	<u>4,079,640</u>

Town of Bethel Springs' Capital Assets - 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvements	\$589,568	5,264,401
Equipment	<u>702,054</u>	<u>17,412</u>
Less accumulated depreciation	(515,340)	(1,105,099)
Net Capital Assets	<u>\$ 776,282</u>	<u>4,176,714</u>

Additional information on the Town of Bethel Springs' capital assets can be found in the notes to the financial statements section of this report.

Long-term Debt

The Town has \$2,204,568 in utility fund long-term debt. The debt was used to finance improvements to the Town's Utility System. Additionally, the Town has \$72,529 in general obligation debt. The debt is being paid as scheduled.

Economic Factors and Next Year's Budget and Rates

In the 2015-2016 budget, General fund revenues and user revenues are budgeted to increase from the 2014-2015 budget year primarily due to increases in user charges. Other revenue sources should be maintained from the prior year.

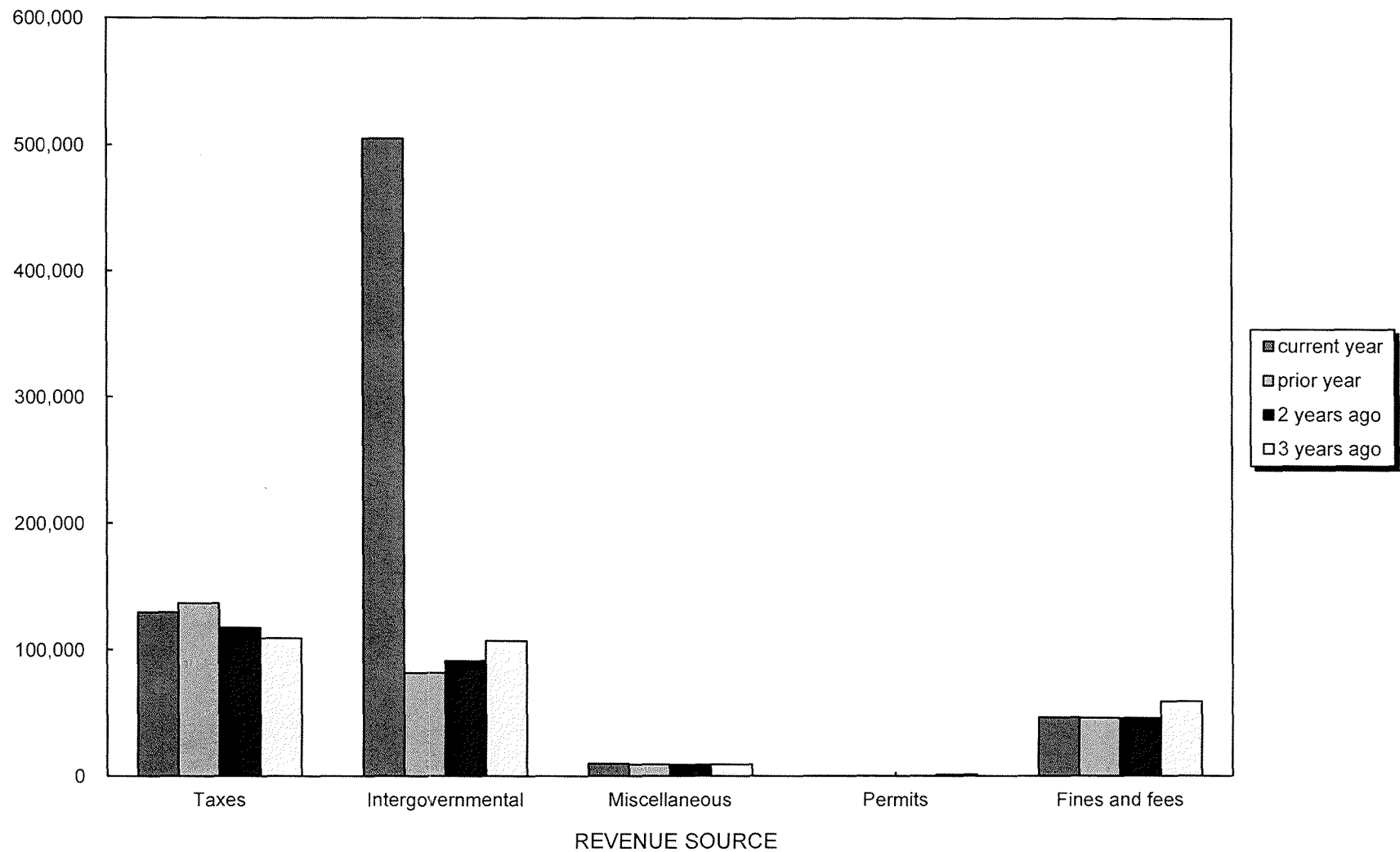
All of these factors were considered in preparing the Town's budget for the 2015-2016 fiscal year.

Requests for Information

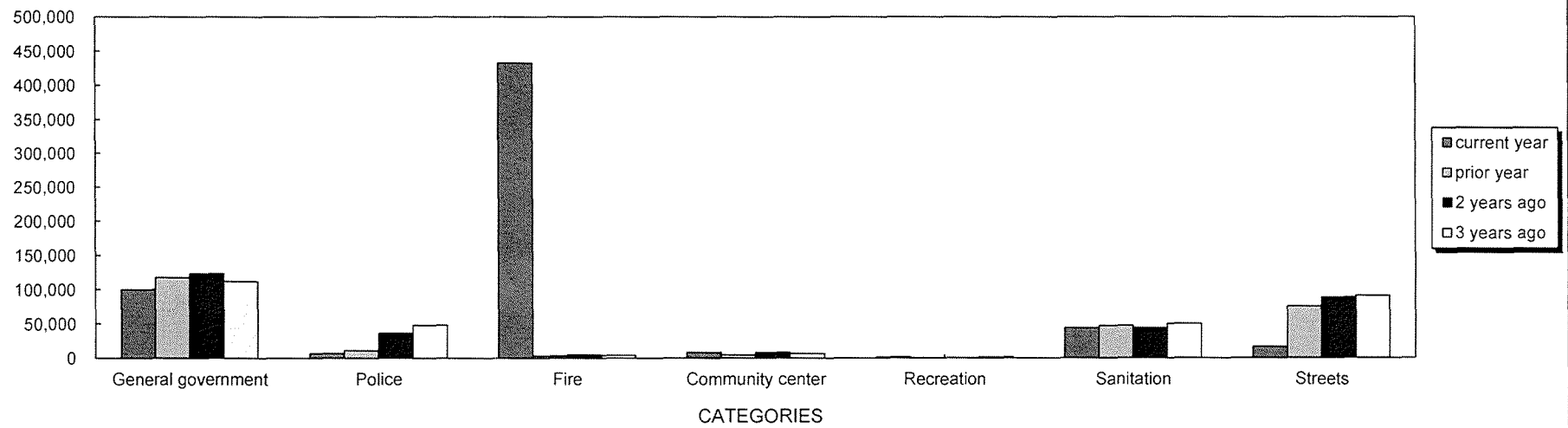
This financial report is designed to provide a general overview of the Town of Bethel Springs, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Erin Pickle
Town of Bethel Springs

**TOWN OF BETHEL SPRINGS, TENNESSEE
GOVERNMENTAL FUND REVENUES**



TOWN OF BETHEL SPRINGS, TENNESSEE GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL STATEMENTS

TOWN OF BETHEL SPRINGS, TENNESSEE

Statement of Net Position

June 30, 2015

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	81,393	52,325	133,718
Receivables	124,085	31,612	155,697
Internal balances	21,731	(21,731)	0
Capital assets not being depreciated	63,985	28,974	92,959
Capital assets, net of depreciation	712,297	4,147,740	4,860,037
Total Assets	<u>1,003,491</u>	<u>4,238,920</u>	<u>5,242,411</u>
Liabilities			
Accounts payable	31,468	8,787	40,255
Accrued expenses	0	8,911	8,911
Customer deposits	0	26,979	26,979
Long-term liabilities:			
Due within one year	1,519	32,239	33,758
Due in more than one year	71,010	2,172,329	2,243,339
Total Liabilities	<u>103,997</u>	<u>2,249,245</u>	<u>2,353,242</u>
Deferred inflow of resources - property taxes	50,000	0	50,000
Net Position:			
Net Investment in capital assets	703,753	1,972,146	2,675,899
Restricted - Sanitation fund	22,273	0	22,273
Restricted - Drug fund	525	0	525
Unrestricted	122,943	17,529	140,472
Total Net Position	<u>849,494</u>	<u>1,989,675</u>	<u>2,839,169</u>

See accompanying notes to financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2015

<u>Function/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Government Activities:							
General government	106,500	3,344	3,071	0	(100,085)	0	(100,085)
Police department	9,275	3,510	0	0	(5,765)	0	(5,765)
Fire department	24,848	0	3,095	415,546	393,793	0	393,793
Community center	8,202	0	0	0	(8,202)	0	(8,202)
Parks and recreation	5,298	0	0	0	(5,298)	0	(5,298)
Highways and streets	43,352	0	19,064	0	(24,288)	0	(24,288)
Sanitation	44,147	43,003	0	0	(1,144)	0	(1,144)
Total Governmental Activities	<u>241,622</u>	<u>49,857</u>	<u>25,230</u>	<u>415,546</u>	<u>249,011</u>	<u>0</u>	<u>249,011</u>
Business - type Activities:							
Water and sewer	420,148	365,606	0	209,490	0	154,948	154,948
Total Business Type Activities	<u>420,148</u>	<u>365,606</u>	<u>0</u>	<u>209,490</u>	<u>0</u>	<u>154,948</u>	<u>154,948</u>
 Total	<u>661,770</u>	<u>415,463</u>	<u>25,230</u>	<u>625,036</u>	<u>249,011</u>	<u>154,948</u>	<u>403,959</u>
 General Revenues:							
Property taxes					50,371	0	50,371
Public utility taxes					8,322	0	8,322
Sales taxes					104,466	0	104,466
Beer taxes					29,569	0	29,569
Franchise taxes					4,090	0	4,090
Other					3,523	27	3,550
Total general revenues					<u>200,341</u>	<u>27</u>	<u>200,368</u>
Changes in Net Position					<u>449,352</u>	<u>154,975</u>	<u>604,327</u>
Net Position - beginning of year, as restated					400,142	1,834,700	2,234,842
Net Position - ending of year					<u>849,494</u>	<u>1,989,675</u>	<u>2,839,169</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF BETHEL SPRINGS, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2015

<u>Assets</u>	<u>General Fund</u>	<u>Sanitation Fund</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$67,731	\$13,137	\$525	\$81,393
Accounts receivable:				
Other receivables	53,040	3,738	0	56,778
Property taxes receivable	67,307	0	0	67,307
	120,347	3,738	0	124,085
Due from other funds	12,425	9,306	0	21,731
 Total Assets	 \$200,503	 \$26,181	 \$525	 \$227,209
<u>Liabilities, Deferred Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable	\$27,560	\$3,908	\$0	\$31,468
Total Liabilities	27,560	3,908	0	31,468
Deferred Inflow of Resources:				
Deferred current property taxes	50,000	0	0	50,000
Deferred delinquent property taxes	17,307	0	0	17,307
Other deferred/unavailable- other governments	4,471	0	0	4,471
Total Deferred Inflow of Resources	71,778	0	0	71,778
Fund balance:				
Restricted	0	22,273	525	22,798
Unassigned	101,165	0	0	101,165
Total Fund Balance	101,165	22,273	525	123,963
Total Liabilities, Deferred Inflows and Fund Balance	\$200,503	\$26,181	\$525	\$227,209

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

**Reconciliation of the Balance Sheet to the Statement of Net Position
of Governmental Activities**

June 30, 2015

Amounts reported for fund balance - total governmental funds	\$	123,963
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		776,282
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds		21,778
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds		
Loans payable		(72,529)
Net Position of governmental activities	\$	<u>849,494</u>

See accompanying notes to financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2015

	General <u>Fund</u>	Sanitation <u>Fund</u>	Drug <u>Fund</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	129,625	0	0	129,625
Intergovernmental	504,898	0	0	504,898
Permits	50	0	0	50
Fines and fees	3,510	43,003	0	46,513
Miscellaneous	9,888	0	0	9,888
Total Revenues	<u>\$647,971</u>	<u>43,003</u>	<u>0</u>	<u>690,974</u>
Expenditures:				
Current:				
General government	95,954	0	0	95,954
Police department	6,963	0	0	6,963
Fire department	6,741	0	0	6,741
Community center	8,202	0	0	8,202
Parks and recreation	1,442	0	0	1,442
Sanitation	0	44,147	0	44,147
Public works	17,410	0	0	17,410
Highway and streets	15,927	0	0	15,927
Capital outlay:				
Fire department	426,617	0	0	426,617
Debt service:				
Principal	1,054	0	0	1,054
Interest	2,943	0	0	2,943
Total Expenditures	<u>\$583,253</u>	<u>44,147</u>	<u>0</u>	<u>627,400</u>
Excess (deficiency) of Revenues over Expenditures	<u>64,718</u>	<u>(1,144)</u>	<u>0</u>	<u>63,574</u>
Operating transfers:	(11,939)	11,939	0	0
Net change in fund balance	<u>52,779</u>	<u>10,795</u>	<u>0</u>	<u>63,574</u>
Fund Balance, Beginning of year	48,386	11,478	525	60,389
Fund Balance, End of Year	<u>\$101,165</u>	<u>\$22,273</u>	<u>\$525</u>	<u>123,963</u>

See accompanying notes to financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds:	\$ 63,574
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Acquisition of capital assets	426,617
Depreciation expense	(41,981)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	88
Expenses reported in the statement of activities that reduce long-term liabilities	
Repayment of loan principal	<u>1,054</u>
Change in Net Position of governmental activities	\$ <u><u>449,352</u></u>

See accompanying notes to financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

Statement of Net Position

Enterprise Fund

June 30, 2015

Assets

Current Assets:

Cash and cash equivalents	\$52,325
Customer accounts receivable, net of allowance of \$15,521	31,612
Total Current Assets	<u>83,937</u>

Capital Assets

Utility plant in service	5,281,813
Less accumulated depreciation	<u>(1,105,099)</u>
Total Capital Assets, Net	<u>4,176,714</u>

Total Assets	<u><u>\$4,260,651</u></u>
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Liabilities

Current Liabilities (payable from current assets):

Accounts payable	\$8,787
Accrued expenses	8,911
Due to other funds	21,731
Current maturities - long-term debt	<u>32,239</u>
Total Current Liabilities (payable from current assets)	<u>71,668</u>

Other Liabilities:

Customer deposits	<u>26,979</u>
Total Other Liabilities	<u>26,979</u>

Long-Term Debt	<u>2,172,329</u>
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Total Liabilities	<u><u>\$2,270,976</u></u>
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Net Position:

Net Investment in capital assets	1,972,146
Unrestricted	<u>17,529</u>

Total Net Position	<u><u>\$1,989,675</u></u>
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The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

**Statement of Revenues, Expenses
and Changes in Net Position**

Enterprise Fund

For the Year Ended June 30, 2015

Operating Revenues:	
Metered sales	\$365,606
Total Operating Revenues	<u>365,606</u>
Operating Expenses:	
Salaries, wages and payroll taxes	71,889
Utilities	5,591
Repair and maintenance	14,028
Supplies	13,904
Office expense	2,836
Vehicle expense	3,129
Insurance	12,613
Professional services	12,534
Dues	2,755
Water purchased	72,671
Depreciation	123,427
Miscellaneous	1,978
Total Operating Expenses	<u>337,355</u>
Operating income (loss)	<u>28,251</u>
Nonoperating Revenues (Expenses):	
Interest expense	(82,793)
Interest income	27
Total Nonoperating Revenues (Expenses)	<u>(82,766)</u>
Capital contributions	<u>209,490</u>
Net change in Net Position	<u>154,975</u>
Net Position, July 1, 2014	<u>1,834,700</u>
Net Position, June 30, 2015	<u><u>\$1,989,675</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

Statement of Cash Flows

Utility Fund

For the Year Ended June 30, 2015

Cash Flows from Operating Activities:

Cash received from customers	467,358
Cash paid to suppliers	(241,547)
Cash paid to employees	(71,889)
Net Cash Provided (Used) by Operating Activities	<u>153,922</u>

Cash Flows from Capital and Related Financing Activities:

Interest paid	(82,793)
Purchase capital assets	(220,501)
Capital contribution	209,490
Repayment of debt	(39,703)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(133,507)</u>

Cash Flows from Investing Activities:

Interest received	<u>27</u>
Net Cash Flows Provided (Used) from Investing Activities	<u>27</u>

Net Change in Cash	20,442
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Cash and Cash Equivalents, July 1, 2014	31,883
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Cash and Cash Equivalents, June 30, 2015	<u>52,325</u>
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Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities

Operating income (loss)	28,251
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	123,427
Change in assets (increase) decrease:	
Accounts receivable	101,752
Change in liabilities increase (decrease):	
Accounts payable and accrued expenses	(115,882)
Due to other funds	10,456
Customer deposits	<u>5,918</u>
Net Cash Provided (Used) by Operating Activities	<u><u>153,922</u></u>

See accompanying notes to financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual

General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Taxes:				
Property taxes	\$47,000	\$47,000	\$50,371	3,371
Public utility tax	6,000	6,000	-	(6,000)
Local sales tax	48,000	48,000	45,938	(2,062)
Wholesale beer	30,000	30,000	29,226	(774)
Franchise tax	4,000	4,000	4,090	90
Total Taxes	<u>135,000</u>	<u>135,000</u>	<u>129,625</u>	<u>(5,375)</u>
Intergovernmental:				
TVA in lieu	8,300	8,300	8,322	22
State sales tax	50,000	50,000	58,528	8,528
Grant income	315,000	430,000	415,546	(14,454)
State beer tax	350	350	343	(7)
State - special petroleum tax	1,500	1,500	1,297	(203)
Gasoline .03 tax	3,900	3,900	3,412	(488)
Gasoline 1989 tax	2,000	2,000	1,499	(501)
Gasoline and motor fuel	13,000	13,000	12,856	(144)
County fire contribution	3,500	3,500	3,095	(405)
Total Intergovernmental Revenue	<u>397,550</u>	<u>512,550</u>	<u>504,898</u>	<u>(7,652)</u>
Licenses and Permits:				
Building permits	500	500	50	(450)
Total Licenses and Permits	<u>500</u>	<u>500</u>	<u>50</u>	<u>(450)</u>
Fines and Fees				
Court fines and fees	4,000	4,000	3,510	(490)
Miscellaneous:				
Rental income	4,000	4,000	3,294	(706)
Contributions	5,000	5,000	3,071	(1,929)
Insurance recoveries	3,000	3,000	1,250	(1,750)
Miscellaneous income	2,000	2,000	2,273	273
Total Miscellaneous Revenue	<u>14,000</u>	<u>14,000</u>	<u>9,888</u>	<u>(4,112)</u>
Total Revenues	<u>551,050</u>	<u>666,050</u>	<u>647,971</u>	<u>(18,079)</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Expenditures:				
General Government				
Current:				
Personnel costs	31,000	31,000	28,061	(2,939)
Elected officials	16,000	16,000	15,650	(350)
Dues	1,000	1,000	669	(331)
Utilities	12,000	12,000	8,222	(3,778)
Professional services	10,000	10,000	8,035	(1,965)
Supplies	3,000	3,000	3,689	689
Training and travel	2,500	2,500	733	(1,767)
Insurance	5,000	5,000	26,055	21,055
Office expense	6,000	6,000	4,214	(1,786)
Miscellaneous	3,500	3,500	626	(2,874)
	<u>90,000</u>	<u>90,000</u>	<u>95,954</u>	<u>5,954</u>
Debt service	0	4,000	3,997	(3)
Capital outlay	315,000	6,000	0	(6,000)
Total	<u>405,000</u>	<u>100,000</u>	<u>99,951</u>	<u>(49)</u>
 Total General Government	 <u>405,000</u>	 <u>100,000</u>	 <u>99,951</u>	 <u>(49)</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Public Safety:				
Police Department:				
Current:				
Salaries	26,000	26,000	4,910	(21,090)
Uniforms	0	0	302	302
Supplies	4,450	4,450	626	(3,824)
Contractual services	3,000	3,000	0	(3,000)
Vehicle expenses	5,750	5,750	532	(5,218)
Insurance	1,000	1,000	0	(1,000)
Miscellaneous	3,000	3,000	593	(2,407)
	<u>43,200</u>	<u>43,200</u>	<u>6,963</u>	<u>(36,237)</u>
Capital Outlay	3,500	3,500	0	(3,500)
Total Police Department	<u>46,700</u>	<u>46,700</u>	<u>6,963</u>	<u>(39,737)</u>
Fire Department:				
Current:				
Supplies	3,000	3,000	6,241	3,241
Utilities	750	750	500	(250)
Miscellaneous	2,000	2,000	0	(2,000)
	<u>5,750</u>	<u>5,750</u>	<u>6,741</u>	<u>991</u>
Capital outlay	0	430,000	426,617	(3,383)
Total Fire Department	<u>5,750</u>	<u>435,750</u>	<u>433,358</u>	<u>(2,392)</u>
Total Public Safety	<u>52,450</u>	<u>482,450</u>	<u>440,321</u>	<u>(42,129)</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Expenditures, Continued:				
Public Works:				
Current:				
Salaries	\$25,000	\$25,000	\$6,607	(18,393)
Contract labor	20,000	20,000	0	(20,000)
Supplies	9,000	9,000	6,766	(2,234)
Vehicle expense	3,000	3,000	2,935	(65)
Miscellaneous	1,000	1,000	1,102	102
	<u>58,000</u>	<u>58,000</u>	<u>17,410</u>	<u>(40,590)</u>
Debt service	4,000	4,000	0	(4,000)
Total Public Works Department	<u>62,000</u>	<u>62,000</u>	<u>17,410</u>	<u>(44,590)</u>
State Street Aid:				
Current:				
Utilities	11,000	11,000	13,841	2,841
Repair and maintenance	5,000	5,000	2,086	(2,914)
Total State Street Aid	<u>16,000</u>	<u>16,000</u>	<u>15,927</u>	<u>(73)</u>
Community Center:				
Total Community Center	<u>11,100</u>	<u>11,100</u>	<u>8,202</u>	<u>(2,898)</u>
Parks and recreation:				
Current:				
Supplies	1,500	1,500	1,442	(58)
Capital outlay	0	0	0	0
Total Parks and recreation	<u>1,500</u>	<u>1,500</u>	<u>1,442</u>	<u>(58)</u>
Total Expenditures	<u>548,050</u>	<u>673,050</u>	<u>583,253</u>	<u>(89,797)</u>
Excess (deficiency) of Revenues over Expenditures	<u>3,000</u>	<u>(7,000)</u>	<u>64,718</u>	<u>71,718</u>
Operating transfers:	0	(12,000)	(11,939)	61
Net Change in Fund balance	<u>3,000</u>	<u>(19,000)</u>	<u>52,779</u>	<u>71,779</u>
Fund Balance, July 1, 2014	48,386	48,386	48,386	0
Fund Balance, June 30, 2015	<u>\$51,386</u>	<u>\$29,386</u>	<u>\$101,165</u>	<u>\$71,779</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

Sanitation Fund

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Charges for services:				
Refuse collection charges	<u>\$45,537</u>	<u>\$45,537</u>	<u>\$43,003</u>	<u>(2,534)</u>
 Total Revenues	 <u>45,537</u>	 <u>45,537</u>	 <u>43,003</u>	 <u>(2,534)</u>
Expenditures:				
Sanitation:				
Current:				
Contracted services	42,000	42,000	32,147	(9,853)
Administrative fee	3,537	3,537	12,000	8,463
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>45,537</u>	<u>45,537</u>	<u>44,147</u>	<u>(1,390)</u>
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>45,537</u>	<u>45,537</u>	<u>44,147</u>	<u>(1,390)</u>
 Excess (deficiency) of revenues over expenditures	 0	 0	 (1,144)	 (1,144)
 Operating transfers:	 0	 12,000	 11,939	 (61)
 Net Change in Fund balance	 <u>0</u>	 <u>12,000</u>	 <u>10,795</u>	 <u>(1,205)</u>
 Fund Balance, July 1, 2014	 <u>11,478</u>	 <u>11,478</u>	 <u>11,478</u>	 <u>0</u>
Fund Balance, June 30, 2015	<u>\$11,478</u>	<u>\$23,478</u>	<u>\$22,273</u>	<u>(\$1,144)</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

Drug Fund

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Fines	\$0	\$0	0	0
Miscellaneous:				
Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:				
Supplies	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	0	0
Excess (deficiency) of revenues over expenditures	0	0	0	0
Fund Balance, June 30, 2014	<u>525</u>	<u>525</u>	<u>525</u>	<u>0</u>
Fund Balance, June 30, 2015	<u><u>\$525</u></u>	<u><u>\$525</u></u>	<u><u>525</u></u>	<u><u>0</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF BETHEL SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The Town of Bethel Springs, Tennessee, operates a Mayor-Alderman form of government and provides the following services, as authorized by its charter and duly passed ordinances: public safety (Police and Fire), water, streets, sanitation, recreations, public improvements, planning and zoning, and general administrative services. The accounting policies of the Town of Bethel Springs, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity:

In evaluating the Town as a reporting entity, management follows all applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has no component units at yearend.

Accounting Pronouncements:

Effective July 1, 2003 the Town adopted GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34, Statement No. 38, Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements. The requirements of these statements represent a significant change in the financial reporting model used by the Town. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. Other significant changes include the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, and the inclusion of management's discussion and analysis.

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of changes in Net Position, report information on all of the nonfiduciary activities of the primary government. For the most part the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TOWN OF BETHEL SPRINGS, TENNESSEE

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most governmental revenues as available if received within 45 days of year end. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

Drug Fund - To account for drug fines received and usage of those monies to further drug investigations.

Sanitation Fund - To account for the revenues and expenditures of the Town's Sanitation Department.

TOWN OF BETHEL SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies, Continued

The government reports the following major proprietary fund:

The Utility Fund is used to account for water operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments- in-lieu taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges to customers for sales and services. The Utility Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the Town uses committed, assigned then unassigned funds.

Receivables and Payables

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/ due to other funds (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources. All trade receivables are shown net of an allowance for uncollectible, if applicable.

TOWN OF BETHEL SPRINGS, TENNESSEE

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less and amounts held by the State Local Government Investment Pool.

Property Tax

The Town's property tax is levied each November 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the Town's legal boundaries. All Town taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public Utility Property	55%
Industrial and Commercial Property	
- Real	40%
- Personal	30%
Farm and Residential Property	25%

Taxes were levied at a rate of \$0.7100 per \$100 of assessed valuation for the fiscal year ended June 30, 2015.

Payments may be made during the period from November 1 through February 28. Current tax collections of \$43,899 for the fiscal year ended June 30, 2015 were approximately 86 percent of the tax levy.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is provided over the estimated useful lives using the straight line method.

The estimated useful lives are as follows:

Infrastructure	30-40 years
Buildings	10-50 years
Utility Plant in Service	10-50 years
Furniture and Equipment	5-10 years

TOWN OF BETHEL SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies, Continued

Restricted Assets

Certain proceeds of the Enterprise Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on their respective balance sheets because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or represent proceeds from bond issues that are restricted for use in construction.

Compensated Absences

The Town has not accrued a liability for unused sick and vacation pay which is earned but not taken by Town employees as the amount is immaterial to the financial statements.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for intergovernmental shared revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF BETHEL SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist principally of cash and accounts receivable. The Town places its cash with federally-insured financial institutions, institutions participating in the State collateral pool. With respect to accounts receivable, credit risk is dispersed across a large number of customers concentrated within one area of service.

Fund Balance

The Town implemented GASB 54, which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable fund balances – amounts that are not in a spendable form, Restricted fund balance – amounts constrained to specific purposes by their providers, provisions, or by enabling legislation, Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint, Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund.

Only by Board approval (via ordinance) can fund balance amounts be classified as committed or assigned. Board approval (via ordinance) is required to establish, modify or rescind a fund balance requirement.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Inventory

Inventory of the Utility Fund is valued at cost, using the first in first out method. Inventory of all the governmental funds consists of expendable supplies held for consumption and are recorded at cost under the consumption method.

TOWN OF BETHEL SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies, Continued

Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Council vote on an annual basis for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The Town Council approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the Town Council.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

(2) Cash and Cash Equivalents

The Town is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the Town invested funds that were not immediately needed in certificates of deposits, savings accounts and investments in the State of Tennessee Local Government Investment Pool. The Town has deposit policies to minimize custodial credit risks. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the city. The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at year end. The Town's deposits with financial institutions are fully insured or collateralized by securities held by the depository bank in the Town's name.

TOWN OF BETHEL SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2015

(3) Accounts Receivable

Accounts receivable at June 30, 2015, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 53,040	67,307	-	120,347
Sanitation Fund	3,738			3,738
Enterprise Fund	-	-	47,133	47,133
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>(15,521)</u>	<u>(15,521)</u>
Total	<u>\$56,778</u>	<u>67,307</u>	<u>31,612</u>	<u>155,697</u>

(4) Capital Assets

A summary of changes in capital assets as presented in the governmental activities column of the government- wide financial statements is as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Land and buildings	\$ 358,055	-	-	358,055
Infrastructure	231,513	-	-	231,513
Equipment and vehicles	<u>275,437</u>	<u>426,617</u>	<u>-</u>	<u>702,054</u>
Total	<u>\$ 865,005</u>	<u>426,617</u>	<u>-</u>	<u>1,291,622</u>
Less Accumulated depreciation	(473,359)			(515,340)
Net capital assets in service	<u>\$ 391,646</u>			<u>776,282</u>

All assets except land of \$63,985 are being depreciated.

Depreciation expense was charged to functions/programs of the primary government as follows:

General Fund:

General government administration	\$ 7,691
Police department	2,312
Fire department	18,107
Public Works	10,015
Recreation	<u>3,856</u>
Total	<u>\$ 41,981</u>

TOWN OF BETHEL SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2015

(4) Capital Assets

A summary of changes in Enterprise Fund property, plant and equipment and related accumulated depreciation follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Land and land rights	\$ 28,974	-	-	28,974
Buildings and improvements	18,912	-	-	18,912
Utility plant	4,805,035	411,480	-	5,216,515
Construction in Progress	192,479	219,001	411,480	-
Equipment	40,295	1,500	24,383	17,412
	<u>5,085,695</u>	<u>631,981</u>	<u>435,863</u>	<u>5,281,813</u>
Less accumulated depreciation	(1,006,055)			(1,105,099)
Net plant in service	<u>\$ 4,079,640</u>			<u>4,176,714</u>

All assets except for land and land rights of \$28,974. Depreciation expense was \$123,427.

(5) Long-Term Debt and Other Obligations Payable

The following schedule reflects the changes General Obligation debt during fiscal year 2015.

	Balance July 1, 2014	Addi- tions	Retire- ments	Balance June 30, 2015
Rural Development	<u>73,583</u>	<u>-</u>	<u>1,054</u>	<u>72,529</u>
	<u>73,583</u>	<u>-</u>	<u>1,054</u>	<u>72,529</u>

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Water) Fund during the fiscal year 2015.

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Issue 2008	815,004	-	12,773	802,231
Issue 2009	1,420,603	-	18,266	1,402,337
Bank Loan	8,664	-	8,664	-
	<u>2,244,271</u>	<u>-</u>	<u>39,703</u>	<u>2,204,568</u>

TOWN OF BETHEL SPRINGS, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2015

(5) Long-Term Debt Payable and Other Obligations Payable, Continued

Principal and interest requirements to maturity on all outstanding General Obligation bonds, loans and obligations as of June 30, 2015, are as follows:

Year Ending <u>June</u>	<u>Principal</u>	<u>Interest</u>
2016	1,519	2,478
2017	1,572	2,425
2018	1,627	2,370
2019	1,684	2,313
2020	1,743	2,254
2021-2025	9,673	10,312
2026-2029	11,487	8,498
2031-2035	13,643	6,342
2036-2039	16,203	3,782
2041-2044	<u>13,378</u>	<u>875</u>
Total	<u>72,529</u>	<u>41,649</u>

Principal and interest requirements to maturity on all outstanding Enterprise Fund bonds, loans and obligations as of June 30, 2015, are as follows:

Year Ending <u>June</u>	<u>Principal</u>	<u>Interest</u>
2016	32,239	85,799
2017	31,890	86,148
2018	33,129	84,909
2019	34,416	83,622
2020	35,756	82,282
2021-2025	200,796	389,394
2026-2030	243,220	346,970
2031-2035	294,815	295,375
2036-2040	357,608	232,582
2041-2045	434,074	156,116
2046-2050	473,623	64,085
2051	<u>33,002</u>	<u>38</u>
Total	\$ <u>2,204,568</u>	<u>1,907,320</u>

TOWN OF BETHEL SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2015

(6) Interfund Loans

Principal requirements to maturity on all outstanding interfund loans as of June 30, 2015, are as follows:

Year Ending	
<u>June</u>	<u>Principal</u>
2016	7,243
2017	7,244
2018	<u>7,244</u>
Total	21,731

As of June 30, 2015 the Utility Fund has a Due To the Sanitation Fund of \$9,306 and a Due To the General fund of \$12,425. During the year the Town made payments to reduce this balance, and will do so in the next fiscal year.

(7) Commitments and Contingencies

Litigation:

There are no pending lawsuits in which the Town is involved that would be material to the financial statements.

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

(8) Risk Management

The Town of Bethel Springs is exposed to various risks to general liability and property and casualty losses. The Town has decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The Town joined TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The Town pays an annual premium to the TML for its general liability and property and casualty insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event. The Town has not had claims in excess of insurance coverage during the last three years.

SUPPLEMENTAL INFORMATION

TOWN OF BETHEL SPRINGS, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Changes in Capital Assets - By Type

June 30, 2015

<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2015</u>
Land and Buildings	\$358,055	0	0	358,055
Infrastructure	231,513	0	0	231,513
Machinery and equipment	<u>275,437</u>	<u>426,617</u>	<u>0</u>	<u>702,054</u>
Total Capital Assets	<u>\$865,005</u>	<u>426,617</u>	<u>0</u>	<u>1,291,622</u>

TOWN OF BETHEL SPRINGS, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Capital Assets - By Function and Activity

June 30, 2015

<u>Description</u>	<u>Land and Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
General Government	\$358,055	130,651	201,213	689,919
Streets	0	26,000	30,300	56,300
Parks	0	62,306	0	62,306
Fire department	0	454,232	0	454,232
Police department	0	28,865	0	28,865
Total Assets	<u>\$358,055</u>	<u>702,054</u>	<u>231,513</u>	<u>1,291,622</u>

The notes accompanying the general purpose financial statements are an integral part of these financial statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

**Schedule of Cash and Cash Equivalents
All Funds**

June 30, 2015

	<u>Carrying Value</u>
General Fund:	
Demand deposits	\$67,731
Total General Fund	<u>67,731</u>
Special Revenue Funds:	
Drug Fund - Demand deposits	<u>525</u>
Sanitation Fund - Demand deposits	<u>13,137</u>
Total Special Revenue Funds	<u>13,662</u>
Proprietary Fund:	
Demand deposits	<u>52,325</u>
Total Water and Sewer Fund	<u>52,325</u>
Total Cash and Cash Equivalents - All Funds	<u><u>\$133,718</u></u>

TOWN OF BETHEL SPRINGS, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2015

<u>Tax Year</u>	<u>Balance July 1, 2014</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2015</u>
2015	\$ -	50,000	0	50,000
2014	50,000	1,322	43,899	7,423
2013	6,598	0	2,481	4,117
2012	4,273	0	1,754	2,519
2011	1,239	0	0	1,239
2010	2,009	0	0	2,009
2009	1,530	0	1,530	0
	<u>\$65,649</u>	<u>51,322</u>	<u>49,664</u>	<u>67,307</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Adjustments and Collections</u>	<u>Outstanding Delinquent Taxes</u>
2015	\$ 0.7100	\$ 50,000	\$ 0	\$ 50,000
2014	0.7100	51,322	43,899	7,423
2013	0.7100	50,609	46,492	4,117
2012	0.7100	50,914	48,395	2,519
2011	0.6100	42,851	41,612	1,239
2010	0.5317	37,586	35,577	2,009
2009	0.6100	38,382	38,382	0
2008	0.6100	38,382	38,382	0
2007	0.6100	36,261	36,261	0
2006	0.6100	35,315	35,315	0
2005	0.6100	35,663	35,663	0

TOWN OF BETHEL SPRINGS, TENNESSEE

**Schedule of Debt Service Requirements-
Water and Sewer Fund**

June 30, 2015

<u>Year</u>	<u>WATER REVENUE AND TAX BONDS SERIES 2008</u>		<u>WATER REVENUE AND TAX BONDS SERIES 2009</u>		<u>TOTAL</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	13,483	25,583	18,756	60,216	32,239	85,799
2017	13,921	25,145	17,969	61,003	31,890	86,148
2018	14,373	24,693	18,756	60,216	33,129	84,909
2019	14,840	24,226	19,576	59,396	34,416	83,622
2020	15,323	23,743	20,433	58,539	35,756	82,282
2021	15,821	23,245	21,326	57,646	37,147	80,891
2022	16,335	22,731	22,260	56,712	38,595	79,443
2023	16,866	22,200	23,233	55,739	40,099	77,939
2024	17,414	21,652	24,250	54,722	41,664	76,374
2025	17,980	21,086	25,311	53,661	43,291	74,747
2026	18,564	20,502	26,418	52,554	44,982	73,056
2027	19,168	19,898	27,574	51,398	46,742	71,296
2028	19,791	19,275	28,780	50,192	48,571	69,467
2029	20,434	18,632	30,039	48,933	50,473	67,565
2030	21,098	17,968	31,354	47,618	52,452	65,586
2031	21,784	17,282	32,725	46,247	54,509	63,529
2032	22,492	16,574	34,157	44,815	56,649	61,389
2033	23,223	15,843	35,651	43,321	58,874	59,164
2034	23,977	15,089	37,211	41,761	61,188	56,850
2035	24,756	14,310	38,839	40,133	63,595	54,443
2036	25,561	13,505	40,538	38,434	66,099	51,939
2037	26,392	12,674	42,312	36,660	68,704	49,334
2038	27,250	11,816	44,163	34,809	71,413	46,625
2039	28,135	10,931	46,095	32,877	74,230	43,808
2040	29,050	10,016	48,112	30,860	77,162	40,876
2041	29,994	9,072	50,217	28,755	80,211	37,827
2042	30,968	8,098	52,414	26,558	83,382	34,656
2043	31,975	7,091	54,707	24,265	86,682	31,356
2044	33,014	6,052	57,100	21,872	90,114	27,924
2045	34,087	4,979	59,598	19,374	93,685	24,353
2046	35,195	3,871	62,206	16,766	97,401	20,637
2047	36,339	2,727	64,927	14,045	101,266	16,772
2048	37,520	1,546	67,768	11,204	105,288	12,750
2049	25,108	542	70,733	8,239	95,841	8,781
2050			73,827	5,145	73,827	5,145
2051			33,002	38	33,002	38
	<u>802,231</u>	<u>512,597</u>	<u>1,402,337</u>	<u>1,394,723</u>	<u>2,204,568</u>	<u>1,907,320</u>

TOWN OF BETHEL SPRINGS, TENNESSEE

**Schedule of Debt Service Requirements-
General Obligation Debt**

June 30, 2015

<u>Year</u>	<u>Rural Development</u>		<u>TOTAL</u>	<u>TOTAL</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	1,519	2,478	1,519	2,478
2017	1,572	2,425	1,572	2,425
2018	1,627	2,370	1,627	2,370
2019	1,684	2,313	1,684	2,313
2020	1,743	2,254	1,743	2,254
2021	1,804	2,193	1,804	2,193
2022	1,867	2,130	1,867	2,130
2023	1,932	2,065	1,932	2,065
2024	2,000	1,997	2,000	1,997
2025	2,070	1,927	2,070	1,927
2026	2,142	1,855	2,142	1,855
2027	2,217	1,780	2,217	1,780
2028	2,295	1,702	2,295	1,702
2029	2,375	1,622	2,375	1,622
2030	2,458	1,539	2,458	1,539
2031	2,544	1,453	2,544	1,453
2032	2,633	1,364	2,633	1,364
2033	2,725	1,272	2,725	1,272
2034	2,821	1,176	2,821	1,176
2035	2,920	1,077	2,920	1,077
2036	3,022	975	3,022	975
2037	3,127	870	3,127	870
2038	3,237	760	3,237	760
2039	3,350	647	3,350	647
2040	3,467	530	3,467	530
2041	3,589	408	3,589	408
2042	3,714	283	3,714	283
2043	3,844	153	3,844	153
2044	2,231	31	2,231	31
	<u>72,529</u>	<u>41,649</u>	<u>72,529</u>	<u>41,649</u>

TOWN OF BETHEL SPRINGS, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2015

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance June 30, 2014</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2015</u>
Federal Programs:								
14.228	6559	CDBG - Water System Improvements	State of Tennessee Department of Economic and Community Development from the Department of Housing and Urban Development	<u>101,588</u>	<u>311,078</u>	<u>0</u>	<u>209,490</u>	<u>0</u>
Federal Programs:								
14.228	49877	CDBG - Disaster Recovery	State of Tennessee Department of Economic and Community Development from the Department of Housing and Urban Development	<u>0</u>	<u>387,802</u>	<u>0</u>	<u>415,546</u>	<u>27,744</u>
		Totals		<u>101,588</u>	<u>698,880</u>	<u>0</u>	<u>625,036</u>	<u>27,744</u>

This schedule prepared on the accrual basis of accounting.

TOWN OF BETHEL SPRINGS, TENNESSEE

Schedule of Insurance Coverage

June 30, 2015

<u>Type of Coverage</u>		<u>Amounts</u>
Commercial Property	Property	Various
Auto Liability	Per occurrence	350,000
	Personal injury	130,000
	Property	50,000
Public officials	Errors and omission	25,000
General liability		1,000,000
Worker's compensation		Statutory

TOWN OF BETHEL SPRINGS, TENNESSEE

Schedule of Bonds - Principal Officials

June 30, 2015

<u>Official</u>	<u>Title</u>	<u>Bond</u>
Elected Officials:		
Gary Bizzell, Jr.	Mayor	\$100,000 Blanket
Benny Jennings	Alderman	\$100,000 Blanket
Sherry Smith	Alderman	\$100,000 Blanket
John Wood	Alderman	\$100,000 Blanket
Gary Bizzell, Sr.	Alderman	\$100,000 Blanket
Management:		
Deborah Sullivan	Town Recorder	\$100,000 Blanket

TOWN OF BETHEL SPRINGS, TENNESSEE

Schedule of Utility Information

June 30, 2015

-

Water Rates

Inside City

Base Charge	11.00
-------------	-------

\$7.00 per 1,000 gallons

There were approzimatly 435 water customers at yearend.

Sewer Rates

Up to 2,800 gallons	\$51.29 Minimum charge
---------------------	------------------------

Over 2,800 gallons	\$7.08/1,000 Gallons
--------------------	----------------------

There were approximately 325 water customers at yearend.



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association
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Water Audit Report for: **Town of Bethel Springs**

Reporting Year: **2015** **7/2014 - 6/2015**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: **MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources: n/a 0.000 MG/Yr
Water imported: 9 26.120 MG/Yr
Water exported: n/a MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: Value: MG/Yr
 MG/Yr
 MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: **26.120** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 9 16.523 MG/Yr
Billed unmetered: n/a 0.000 MG/Yr
Unbilled metered: 8 0.500 MG/Yr
Unbilled unmetered: 0.327 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: **17.350** MG/Yr

Click here: for help using option buttons below

Pcnt: **1.25%** Value: MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: **0.25%** Value: MG/Yr

1.00% MG/Yr
0.25% MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

8.771 MG/Yr

Apparent Losses

Unauthorized consumption: 0.065 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 8 0.172 MG/Yr
Systematic data handling errors: 0.041 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: **0.279** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **8.492** MG/Yr

WATER LOSSES: **8.771** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **9.597** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 8 25.0 miles
Number of active AND inactive service connections: 8 475
Service connection density: 19 conn./mile main

Are customer meters typically located at the curbstop or property line? Yes

Average length of customer service line: (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 7 75.0 psi

COST DATA

Total annual cost of operating water system: 9 \$420,148 \$/Year
Customer retail unit cost (applied to Apparent Losses): 10 \$5.50 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): 8 \$2,986.00 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 84 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Water imported

2: Unauthorized consumption

3: Systematic data handling errors



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association
Copyright © 2014. All Rights ReservedWater Audit Report for: **Town of Bethel Springs**Reporting Year: **2015** **7/2014 - 6/2015**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 84 out of 100 ***

System Attributes:

Apparent Losses: **0.279** MG/Yr
+ Real Losses: **8.492** MG/Yr
= **Water Losses:** **8.771** MG/Yr

Unavoidable Annual Real Losses (UARL): **See limits in definition** MG/YrAnnual cost of Apparent Losses: **\$1,532**Annual cost of Real Losses: **\$25,357**Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: **36.7%**Non-revenue water as percent by cost of operating system: **7.0%** Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **1.61** gallons/connection/dayReal Losses per service connection per day: **N/A** gallons/connection/dayReal Losses per length of main per day*: **930.62** gallons/mile/dayReal Losses per service connection per day per psi pressure: **N/A** gallons/connection/day/psiFrom Above, Real Losses = Current Annual Real Losses (CARL): **8.49** million gallons/year

Infrastructure Leakage Index (ILI) [CARL/UARL]:

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

TOWN OF BETHEL SPRINGS, TENNESSEE

Schedule of Federal Expenditures

For the year ended June 30, 2015

<u>Program Name</u>	<u>CFDA #</u>	<u>Amount</u>
CDBG - Recovery	14.228	<u>625,036</u>
Total		<u>625,036</u>

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and Board of Aldermen
Town of Bethel Springs, Tennessee
Bethel Springs, Tennessee

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities and each major fund as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Bethel Springs' basic financial statements, and have issued a report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Bethel Springs' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bethel Springs' internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Bethel Springs' internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness (2008-001 Lack of segregation of Duties).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below (2008-001) to be a material weakness.

The material weakness is as follows:

2008-001 Separation of Duties

Due to the limited number of personnel employed by the Town, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the Town strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bethel Springs' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Town of Bethel Springs' response to the finding identified in the audit is described above. The Town of Bethel Springs' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Joh R Poole, CPA

September 30, 2015

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Mayor and Board of Aldermen of the
Town of Bethel Springs, Tennessee
Bethel Springs, Tennessee

Report on Compliance for Each Major Federal Program

I have audited the Town of Bethel Springs' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on the compliance for each of Town of Bethel Springs' major federal programs based on my audit of the types of compliance requirements referred to above. I conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, the audit does not provide a legal determination on the Town's compliance.

Opinion on Each Major Federal Program

In my opinion, Town of Bethel Springs complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of the auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing the audit of compliance, I considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with the types of compliance requirements of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of the testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

John R. Paolo, CPA

September 30, 2015

TOWN OF BETHEL SPRINGS, TENNESSEE

Schedule of Findings and Questioned Costs

June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

The Auditor's Report on the Financial Statements was an unqualified opinion.

Internal control over financial reporting:

Material weakness identified ? Yes. (2008-001 Lack of Segregation of Duties)

Significant deficiencies identified ? None reported

Noncompliance material to financial statements noted ? No.

Federal Awards

Internal control over major programs:

Material weakness identified ? No.

Significant deficiencies identified ? None reported

The auditor's report on compliance for major programs was unqualified.

There were no audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133.

The Major Program was:

CDBG Utility Improvements, CFDA 14.228.

Type A programs have been distinguished as those programs with expenditures greater than \$300,000.

The CDBG Utility Improvement program met this threshold.

The Town of Bethel Springs was not considered to be a low risk auditee.

Section II - Financial Statement Findings

There was one finding related to the financial statements which is required to be reported in accordance with Government Auditing Standards. (2008-001 Lack of Segregation of Duties)

Section III - Federal Award Findings and Questioned Costs

There were no findings related to Federal Awards.

The accompanying notes are an integral part of these statements.

TOWN OF BETHEL SPRINGS, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2015

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2008 – 001	Separation of Duties	Continues